



MEETING NEW READERS IN THE TRANSITION TO DIGITAL NEWSPAPERS: LESSONS FROM THE ENTERTAINMENT INDUSTRY

Lecciones que la prensa digital puede aprender de la industria del entretenimiento



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Abstract

In this work, carried out at the *University of California Los Angeles (UCLA) Center for Management of Enterprise Media, Entertainment, and Sports (Memes)*, we suggest that there is hope and reason for media companies to expect a recovery from the current crisis. As journalists and researchers in communication, we are concerned about newspapers' sustainability, and we refuse to consider a future scenario without the press. According to this objective we focus on the entertainment industry with the goal of learning from it how to survive and even grow despite freely available content on the Web. We consider the unstoppable growth in users and revenue experienced by *Netflix*, *Amazon* and *iTunes*, and pull from it lessons learned that might help newspapers to navigate the digital landscape. Our hypothesis is that digital newspapers can find new readers in the segment of digital consumers who already "pay" for digital content including streaming movies and television shows. Sales, subscriptions, and online rentals experienced significant growth in 2013, bringing them closer to the sales figures of hardware such as DVDs and blu-ray discs. And, although piracy is an issue in the entertainment industry, there remains room for revenue growth.

Keywords

Digital movies; Streaming; iVOD; Video; Digital consumers; Users; Readers; Piracy; Newspapers; Press; Media; Digital newspapers; Cybermedia; Pricing models; Entertainment industry.

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Resumen

En este trabajo realizado en el *Center for Management of Enterprise Media, Entertainment, and Sports (Memes), University of California Los Angeles (UCLA)*, sugerimos que hay esperanza y razones para que las empresas periodísticas se recuperen de la crisis actual. Como periodistas e investigadores en Comunicación, nos preocupa la sostenibilidad de los periódicos, y no queremos ni pensar en un futuro escenario sin prensa. De acuerdo con este objetivo nos hemos centrado en la industria del entretenimiento con la idea de aprender de ella cómo sobrevivir o incluso crecer a pesar de que muchos contenidos estén disponibles gratuitamente en la Web. Considerando el imparable crecimiento experimentado por *Netflix, Amazon o iTunes*, tanto en número usuarios como de ingresos durante este mismo período de tiempo, si los periódicos pueden imaginar el modo de navegar en el indiscutido panorama digital, hay razones para ser optimistas. La hipótesis es que es posible encontrar nuevos lectores en el segmento de consumidores digitales que “pagan” por contenidos digitales, como es patente en el estudio realizado en el mercado de Estados Unidos, que presentamos aquí, en concreto ventas y streaming online de cine. Las ventas, suscripciones y alquileres online de pago han subido notablemente en 2013, tanto que se está acercando a las cifras de venta de soportes físicos: DVDs y discos blu-ray. Por otro lado, sostenemos en paralelo que la piratería no ha terminado con la industria cinematográfica, pese a que persiste un elevado número de descargas ilegales, y esto es así porque hay margen para crecer en el segmento móvil digital.

Palabras clave

Cine digital; Copyright; Piratería; Periódicos; Prensa; Medios; iVOD; Video; Plataformas de cine; Streaming; Consumidores; Usuarios; Lectores; Diarios digitales; Cibermedios; Modelo de precios; Industria del ocio.

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1. Introduction¹

Unfortunately revenues for newspapers have been declining in the US since 1940. After a modest recent improvement, total circulation dropped again in 1994 in the US (figure 1) as well as in Europe (AEDE, 2013).

No doubt the drop had something to do with the commercial Internet explosion in the mid-90s and also with the 2.0. social web in 2002; social networks, blogs, and other innovations provide access to the news and have significantly affected the media business.

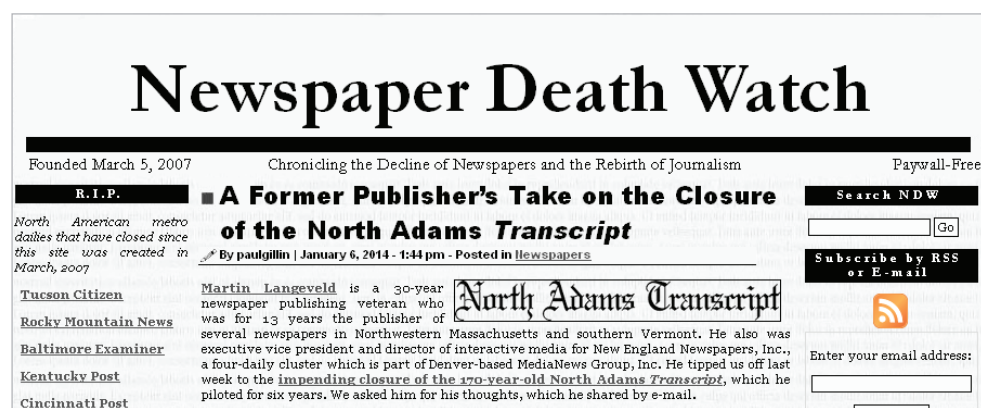
The rise of the Internet and the availability of information for free made everybody wonder: Has the press already reached its peak? Is this news market totally saturated, in decline, or can it grow again?

A number of headlines² have forecasted a black future for print media. For example, a sarcastic website, *News paper death watch*, (figure 2) has announced the death of newspapers every year since 2007. Consultants like **Ross Dawson** have also forecasted the total death of “paper” in

30 years (Dawson, 2013?). However, a more accurate analysis from **Turow** (2011, p. 116) suggested, “The real problem for newspapers and magazines, though, lies in adapting to the digital realm. The huge availability of content on the web and media’s buyers emphasis on picking up impressions at

Number of daily newspapers				Newspaper circulation					
				Daily circulation			Sunday		
Year	Morning	Evening	Total daily newspapers	Morning (000)	Evening (000)	Total (000)	Sunday newspapers	Sunday circulation (000)	
2011*	931	451	1.382	40.321	4.100	44.421	900	48.510	
2010	NA	NA	NA	NA	NA	NA	NA	NA	
2009	862	525	1.387	40.269	5.383	45.653	911	46.164	
2008	872	546	1.408	42.757	5.840	48.597	902	49.115	
2007	867	565	1.422	44.548	6.194	50.742	907	51.246	
2006	833	614	1.437	45.441	6.888	52.329	907	53.179	
2005	817	645	1.452	46.122	7.222	53.345	914	55.270	
2004	814	653	1.457	46.887	7.738	54.626	915	57.754	
2003	787	680	1.456	46.930	8.255	55.185	917	58.495	
2002	777	692	1.457	46.617	8.568	55.186	913	58.780	
2001	776	704	1.468	46.821	8.756	55.578	913	59.090	
2000	766	727	1.480	46.772	9.000	55.773	917	59.421	
1999	736	760	1.483	45.997	9.982	55.979	905	59.894	
1998	721	781	1.489	45.643	10.539	56.182	898	60.066	
1997	705	816	1.509	45.434	11.290	56.728	903	60.486	
1996	686	846	1.520	44.785	12.198	56.983	890	60.798	
1995	656	891	1.533	44.310	13.883	58.193	888	61.229	
1994	635	935	1.548	43.382	15.924	59.305	886	62.295	
1993	623	954	1.556	43.094	16.718	59.812	884	62.566	
1992	596	996	1.570	42.388	17.777	60.164	891	62.160	
1991	571	1.042	1.586	41.470	19.217	60.687	875	62.068	
1990	559	1.084	1.611	41.311	21.017	62.328	863	62.635	

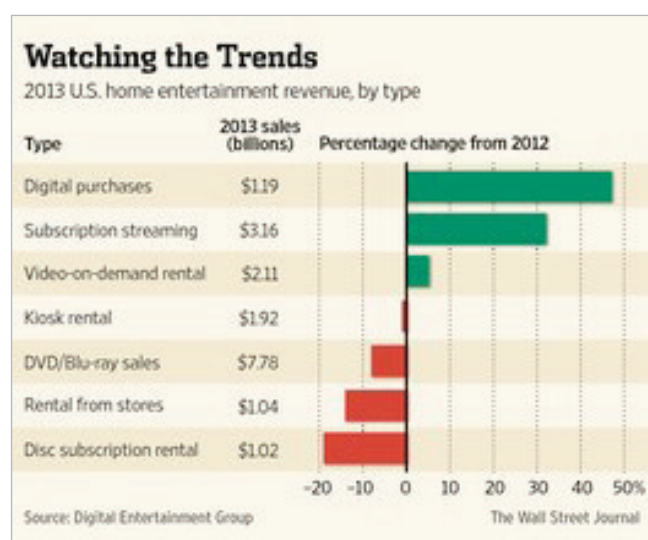
Figure 1. World newspaper circulation (2012). Source: *Editor and Publisher International Yearbook*
<http://www.editorandpublisher.com/databook>

Figure 2. <http://newspaperdeathwatch.com>

the lowest possible cost-per-thousand (CPMs) impressions meant that advertising in a digital environment could not possible support their organizations the way it did in the print sphere”.

With all of the doom and gloom we, the authors, have been wondering if the newspaper business has a chance to be a viable business again: Is the press always going to be primarily dependent on advertising, for better or worse? Is there any chance of new income streams from other sources and other business areas (e-commerce, online marketing, etc.) that would allow newspapers editors to keep quality standards high and maintain newsroom jobs? Or, on the contrary, are we at the very end of the cycle and newspapers have to shrink?

After having reviewed previous theoretical research (Casadesus-Masanell, Goyanes, Peinado, Casero-Ripollés) we suggest that there may be hope for the newspaper business to rise again. As journalism and communication scholars we are concerned about the sustainability of newspapers themselves; we do not want to think of a future scenario without the press. Accordingly, we have focused on the entertainment industry as a basis for learning how to survive or even thrive when content is available for free online. Consider the increased number of users and growth in revenues by Net-

Figure 3. Watching the trends, *The Wall Street Journal*

flix, Amazon, and iTunes. If newspapers can figure out a way to navigate the digital landscape, there are reasons to be optimistic about the future ahead.

2. The digital consumer segment

As *The Wall Street Journal* reported recently (Fritz, 2014), online streaming and online sales (legal downloads) are growing, and quickly approaching

sales of movies on physical DVDs and blu-ray discs (figure 3).

The bottom line is clear: the consumer is now in control. Kevin Spacey, American actor, addressed this issue in the U.K. last year when discussing the *House of Cards* success:

“Clearly the success of the Netflix model, releasing the entire season of *House of Cards* at once, proved one thing: the audience wants the control. They want the freedom. If they want to binge... we should let them binge... And through this new form of distribution, we have demonstrated that we have learned the lesson that the music industry didn't learn: give people what they want, when they want it, in the form they want it in, at a reasonable price and they'll more likely pay for it rather than steal it. Well, some will still steal it, but I think we can take a bite out of piracy”.

The growth of *Netflix* and other subscription services is certainly stunning (figure 4). At the end of 2014 *Netflix* numbered 50 million subscribers.

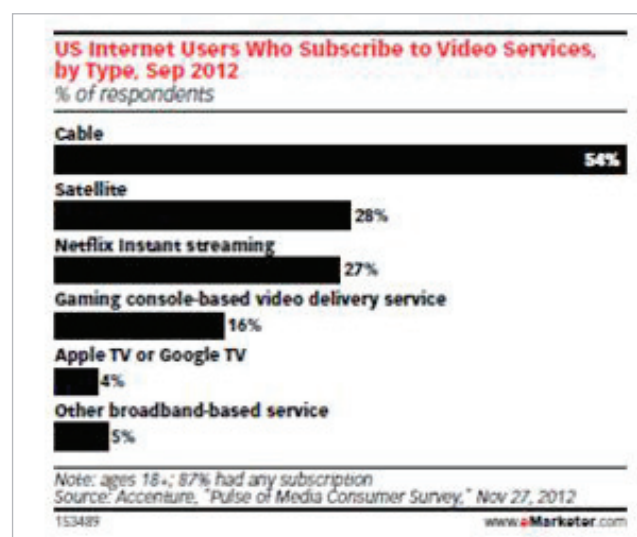


Figure 4. Growth of video services. Source: eMarketer.com

4 of 10 Americans buy newspapers daily, and 4,6 on Sundays	7 of 10 go to theatres twice a year
4 of 10 watch daily movies or TV on legal streaming sites	4 of 10 buy movies sometimes on sites such as Amazon Prime, iTunes

Figure 5. Average of paid-content use (age >18) (Corredoira; Sood, 2015)

According to **Corredoira** and **Sood** (2015), paid video streamers, either in transactional or subscription models, number approximately 80 million subscribers. Although the piracy³ of movies and TV shows is still high, **Dahaner** and **Waldfoegel** (2012) stated: “we do not see evidence of elevated sales displacement in US box office revenue following the adoption of *BitTorrent*, and we suggest that delayed legal availability of the content abroad may drive the losses to piracy”. Clearly there is a large segment of the population willing to pay for content. Thus, there are avenues for growth even when content is available for free.

When comparing platforms one realizes that news still commands a large market; in the US there is one *Netflix* subscriber for every two newspaper buyers. *Netflix* has 44 million users who pay \$7.99 a month for unlimited streaming; movies, TV shows, cartoons, and documentaries are included in its library. This is the same price of a weekly subscription to *The financial times* or *The New York times*. Since the price point is comparable, the challenge then becomes identifying the right set of consumers and targeting those who are willing to pay (figure 5).

At this point, we suggest there may be a distinct digital consumer segment for newspapers to target (**García-De-Torres**; **Edo-Bolós**, 2012). This digital consumer actively seeks out content online and is willing to pay for content. In fact, these consumers over index on consuming content online as shown below (figure 7 and 10). If you examine the correlation between the consumption of premium content by users and the use of various platforms and/or devices, our contention is that a digital subscriber is more likely to buy newspapers and vice versa (**Picard**, 2006).

Pay particular attention to the streamers activities and the frequency which US TV viewers watch digital video content (by age) (figure 8).

If this digital content consumer segment exists and they are willing to pay for newspaper content, then one way to find these consumers is to target those consuming other forms of entertainment. TV series (such as *Downtown abbey*, *Lost*, or *Homeland*), blockbuster movies (*The lord of the rings*, *The hunger games*, or *Harry Potter*) or entertainment events

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Figure 6. *The New York times* subscriber site. Pricing

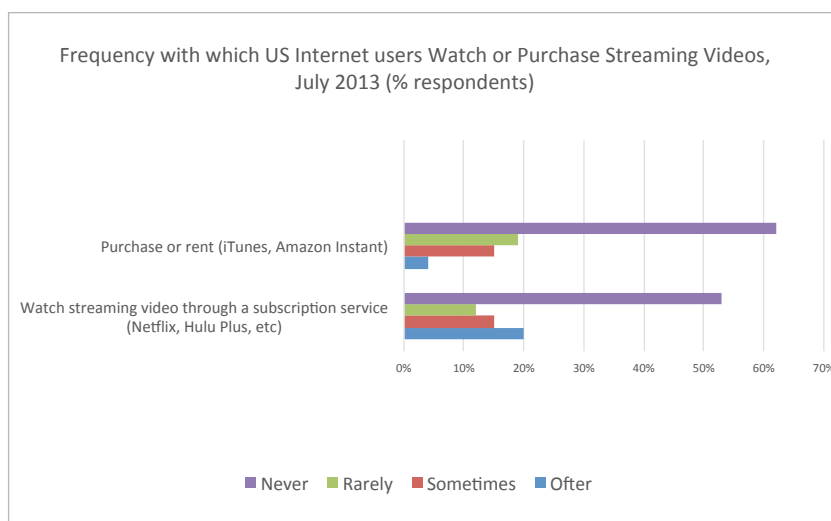


Figure 7. Source: eMarketer.com, *The Harris Poll* (Harris Interactive) press release Aug 26, 2013

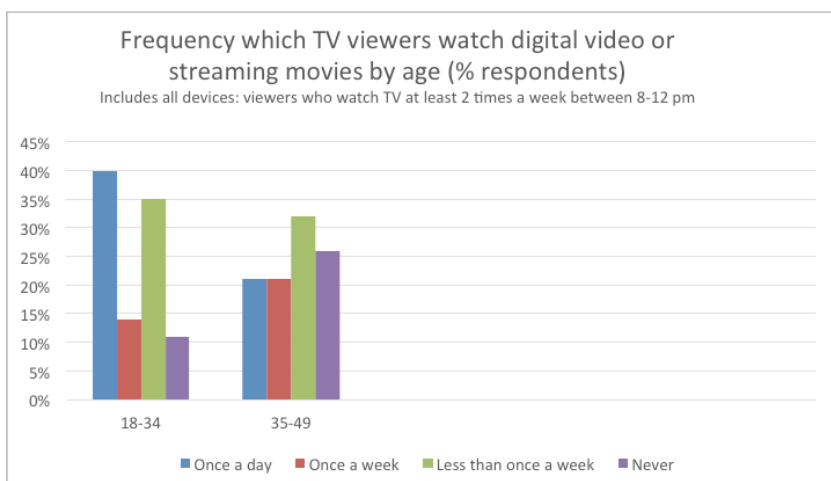


Figure 8. IpsosMediaCT, *The two sides of streaming*, July 8, 2013), eMarketer.com

Movies (million streamers)	Digital news (thousand subscribers)	Sport (million subscribers)	Music (million subscribers)
Netflix 48	The NYT 727,000	MLBAM > 3	Pandora One 2.5
iTunes 20	The WSJ 903,012	Fox Soccer n.a.	Spotify 1
Amazon Prime 10		Gol TV n.a.	iTunes Radio 1
Hulu 5		ESPN n.a.	
Aprox. total 80			

Figure 9. US paid digital content subscribers (Corredoira; Sood, 2015)

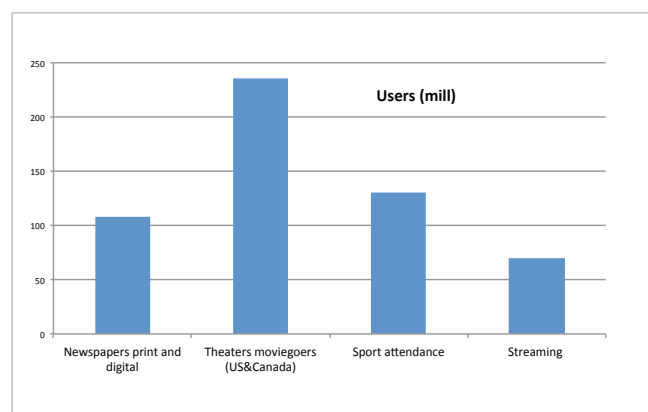


Figure 10. Paid content potential market (Corredoira; Sood, 2015)

(concerts or opera) are good examples of online opportunities where editors could target new consumers who may be newspaper readers, subscribers, or pay-per-view readers.

As shown (figure 9), music and sports⁴ are also two significant markets. *Pandora*⁵ and *Spotify*⁶ have 3.5 million subscribers; if we add *iTunes*⁷ users, the *NFL*, soccer leagues, *MLB*, and the *NBA* series there are millions more prospects.

Since 2011 the home entertainment market has experienced an important shift in money spent by household, thanks to streaming, blu-ray and electronic distribution, as *The Hollywood reporter* said (Arnold, Thomas K., 2012):

“As of Sept. 30, 2012, consumers this year have spent an estimated \$12,342,020,000 on home entertainment, up from \$12,215,030,000 in the same period last year”.

2.1. Implications for the newspaper industry

According to the *Newspaper Association of America*, young adults (18-34) are still reading newspapers (figure 11).

The growth in the industry appears to be in digital, and this digital consumer is in the younger age bracket. According to the last data available (referred to 2012) 44 million newspapers are sold in the US daily and 48.5 million Sunday editions. The average readership increased in 2013, rising to 95 million daily and 108 million on Sundays.

For digital journalism there was also good news reported in May 2012 by *Poynter.com*:

“Audit Bureau of Circulations (ABC): Newspaper circulation rose in the previous six months by 5% on Sundays. On average, digital circulation now accounts for 14.2 percent of newspapers’ total circulation mix, up from 8.66 percent in March 2011. Digital circulation may be tablet or smartphone apps, PDF replicas, metered or restricted-access websites, or e-reader editions.” (Beaujon, 2012)

If the newspaper industry had theme music in 2013, it might use “*Been down so long it looks like up to me*” the much-recycled line from a 1920s blues song (Edmonds et al., 2013). stated.

Data released by the *Newspaper Association of America* (NAA)⁸ in February 2014 showed 2013 gains in *Alliance for audited media* (AAM) total circulation due to the success of digital subscriptions (figures 12 and 13):

“Average daily combined circulation increased 3 percent compared to the same period a year ago for the six-month period ending Sept. 30, 2013. The gain is based on an NAA analysis of the 541 daily newspapers reporting to AAM for comparable periods. The bottom-line increase was driven by substantial gains in digital circulation among the largest newspapers and more moderate losses in print circulation among the smaller circulation newspapers.”

“Average Sunday circulation for the 508 newspapers reporting for both periods increased 1.6 percent from last year. The gains were due to increased reporting of branded editions and digital non replica circulation by the largest newspapers. Among the 541 newspapers reporting for the period, 120 reported an increase in total daily circulation for the six-month period, while 112 newspapers were up in total Sunday circulation. In both cases print losses were offset by increases in digital copies and

Demographic composition US population & average issue readership 2010			
Market/release: Scarborough USA+ 2010 Release 1. Total Feb 2009 - Mar 2010			
	Total US adults 18+	Average issue, daily newspaper	Average issue, Sunday
Base total			
Target pop	232,960,964	95,305,254	108,060,592
Target %	100%	100%	100%
Index	100	100	100
Men			
Target pop	113,056,101	48,060,887	50,823,598
Target %	48.5%	50.4%	47.0%
Index	100	104	97
Women			
Target pop	119,904,863	47,244,367	57,236,994
Target %	51.5%	49.6%	53.0%
Index	100	96	103
Adults 18 – 34			
Target pop	69,857,082	18,127,761	21,962,532
Target %	30.0%	19.0%	20.3%
Index	100	63	68
Adults > 35			
Target pop	163,103,882	77,177,493	86,098,060
Target %	70.0%	81.0%	79.7%
Index	100	116	114

Figure 11. Demographics. US readership. *Newspaper Association of America*

branded editions. Supporting this point, it appears that digital and bundled services are the fastest growing areas in the newspaper industry.”⁸

In order to attract the younger demographic and grow subscriptions further, newspapers could mimic the behavior of the entertainment industry and move away from strictly paid services. On February 6th 2014 *Times* CEO **Mark Thompson** said⁹:

“There are now roughly 760,000 people paying to read the *Times* and its international edition on the web and mobile devices. But the subscriber momentum has slowed since the program was rolled out in March 2011, and the *Times* is developing new subscription options to achieve scale while also expanding overseas”.

Another business model may exist if newspapers focus on reach. According to the latest available data released by *Alliance for Audited Media* (AAM), the *Wall Street Journal* (WSJ) is the first US newspaper in paid circulation (2.27 million) although *USA today* is now number one in yearly circulation average thanks in-part to free mobile apps that supply access to the digital newspaper. As shown in figure 14, *USA*

	No. of Companies	YOY % Change
Total Revenue	17	-2%
Total Advertising Revenue	17	-6%
Total Print Newspaper Advertising	17	-9%
Retail	17	-8%
National	17	-12%
Classified	17	-8%
Automotive	17	-8%
Real Estate	17	-13%
Recruitment	17	-7%
Other Classified	17	-5%
Total Digital Advertising	17	4%
Pure-Play Digital Advertising	10	20%
Niche Publications	7	-5%
Direct Marketing	11	-1%
Non-Daily/Weekly	8	-6%
Total Circulation Revenue	17	5%
Print Subscription & Single-Copy Sales	11	-14%
Bundled	7	499%
Digital-Only	12	275%
New Revenue	17	8%
Distribution	11	-2%
Digital Agency/Marketing Services	9	91%
Event Marketing	7	-9%
E-Commerce	3	20%
Commercial Printing	11	-3%
Other Not Listed	12	-3%
Mobile Ad Rev.	13	100%
Number of Digital-Only Subscriptions	11	343%

Figure 12. Print and digital newspaper revenues. Source: *Newspaper Association of America*

Daily circulation	No. of daily newspapers	Daily circ. 09/30/13	Daily circ. 09/30/12	% change
500,000 or more	5	8,296,751	6,785,734	22.3
250,000 – 499,999	15	5,283,753	5,341,212	-1.1
100 – 249,999	39	6,057,732	6,115,506	-0.9
50,000 – 99,999	53	3,783,967	3,927,674	-3.7
25,000 – 49,999	103	3,577,587	3,750,157	-4.6
Less than 25,000	326	4,303,658	4,477,749	-3.9
Daily total	541	31,303,448	30,398,032	3.0

Figure 13. Total daily circulation was up 3 percent year-to-year [and Sunday circulation 1.6 percent] among 541 daily papers reporting results to the *Association of Audited Media* (AAM) for the six-month period ending Sept. 30, 2013 and September 30, 2013.

today does not separate the numbers for their digital and print publications, making comparisons between the top circulating newspapers difficult.

Many experts (**Edmonds et al.**, 2013) see the newspaper market as stabilizing, but still threatened. Circulation initiatives are slowly rebalancing the industry’s reliance on advertising over circulation as a revenue source. It will be some years until the industry comes close to an international norm. The industry might consider what was implemented in 2012 by *The New York Times*, a 50/50 circulation/advertising split (a small percentage of revenue also comes from other sources)¹⁰.

2.2. The mobile opportunity for content industries

One area where the newspaper industry could actually hold an advantage over entertainment is in the mobile phone segment.

According to *SenseMaker*¹¹ and our research on audiovisual content:

“media consumption trends continue to change rapidly, particularly by the increase today in mobile technology use. *Scarborough’s* extensive population allows researchers to look at the audience of different media sources across platforms”.

Newspaper	Company	Average circulation (Sept 2013)	Print	Paywall	Digital subscribers
USA today	<i>Gannet Co</i>	2.9 million (print + free digital access)	n.a.	No	0
WSJ	<i>News Corp.</i>	2.4 million (1 st in paid circulation)	1,480,000	Yes	903,207 (2014)
The New York Times	<i>NYTimes Co.</i>	1.9 million	727,000	Yes	1,254,506

Figure 14. Circulation of main US newspapers. Source: *Companies reports, Alliance for Audited Media* (AAM)

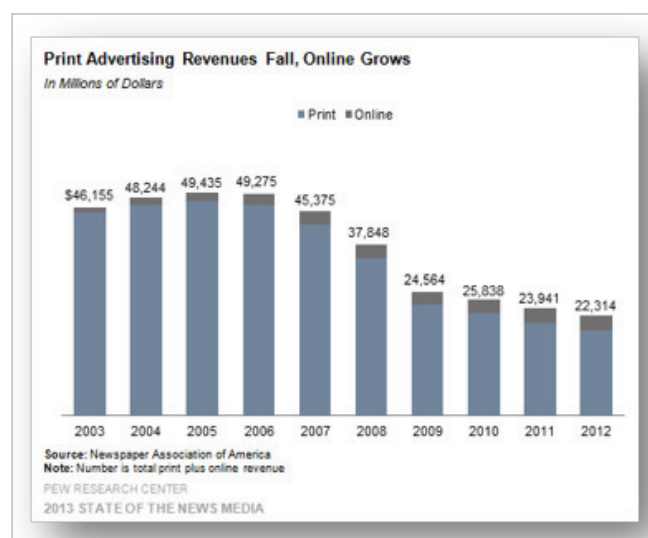


Figure 15. Advertising revenues. *State of the News Media 2013*
<http://www.stateofthemedias.org/2013/newspapers-stabilizing-but-still-threatened/1-print-advertising-fall-online-grows-copy-5>

- The vast majority of US adults, 164 million (69%), read newspaper media content in print or online in a typical week, or access it on mobile devices in a typical month.
- The majority (59%) of US young adults, ages 18-24, read newspaper media content in print or online in a typical week, or access it on mobile devices in a typical month.
- The mobile newspaper audience in the US is growing fast; up 58% in an average month in 2012 compared with 2011. That totals 34 million adults.
- The US mobile audience skews young; the median age of an adult newspaper mobile user is 17 years younger than the print reader.
- Those who are newspaper mobile-exclusive —that is, those who access newspaper content on mobile devices only— are younger by four more years (with a median adult age of 33). That audience grew by 83% in the US in 2012 compared with 2011.

Overall, the total newspaper media audience in a typical week (excluding mobile) dipped 2% in 2012 from 2011, a change in line with television media and less than radio.

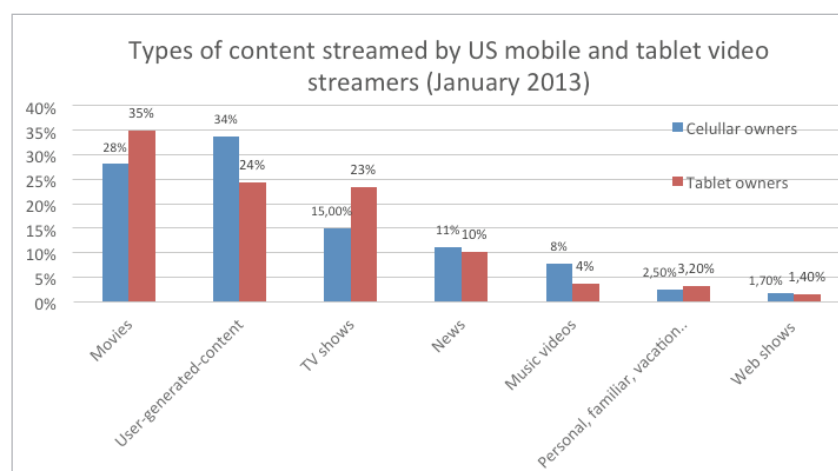


Figure 17. Types of content streamed by US mobile and tablet video streamers (January, 2013)

Tablet	Smartphone	PC or laptop	TV
Movies TV shows	UGC (user generated content) (YouTube) News Music videos	Short video clips UGC	Full-length movies (72%) Live content (68%)

Figure 16. Preferred content by screen. Data from *Accenture*, *DigitalSmith*, *eMarketet*

When the mobile audience is included, through data that are collected monthly, the decline in total newspaper audience is cut by more than half to less than 1%.

These data points do not reflect the spike in sales for mobile devices in the past six months. It is likely that when new *Scarborough* data become available later in the year, the mobile component of the newspaper media audience will show continued growth.

In fact, recent reports (*DigitalSmiths*, *Accenture*) revealed that news content is in the top preferences for consumption among smartphone users.

In addition, among the streamers the most viewed content for mobile devices is video, user-generated content (UGC), TV, and in fourth place is news.

As *Mojiva's* CEO, **David Gwozdz**¹² stated in 2012 and the *Home Entertainment Tracker Report*¹³ pointed out in 2013, the likelihood of users paying for news sources among those who own mobile devices is high (figure 18), especially among tablet owners (20% of them).

US viewers who do use tablets and smartphones to watch digital video prefer the larger screen for movies and TV shows and the smaller one for shorter-form content such as user-generated clips, news, and music videos, according to a study (*Rovi Corporation*, 2013). This data underscores the importance viewers attach to screen size when it comes to premium content.

3. Lessons from the entertainment industry

As we have said before, a newspaper has to identify the right set of consumers and target those persons who are willing to pay. There are lessons we have learned from the entertainment industry in the US which can be used to “package” the news product.

3.1. Lessons about user's care

Consumer and flexibility

What really matters is the consumer. In this regard, we note how some entertainment providers have improved user policies for subscribers (*Amazon Prime*, *Hulu Plus*), which includes the possibility of upgrading services. One good example from streaming media is *Netflix's* four screens option for just \$4 month more. This type of usage flexibility is convenient for clients who

have several devices in different locations and want the same subscription to simultaneously stream content. This flexibility allows the user to decide when and how to see, read, and listen to their favorite programs.

Availability

Availability is the keyword for online content. New agreements must be made with industry partners that allow innovative methods for availability (i.e. *House of Cards Season 2*) where pricing and usability allow the consumers to control when and where they consume the news.

Usability

Another important lesson we can learn from the success of audiovisual online distribution is the variety of platforms (*Netflix* and *iTunes* work on *Windows*, *Apple*, *Google*, etc.) and even though the competition among them is high, the interface among different platforms is compatible —users don't need extra plugins or software.

Pricing

Price has been a competitive advantage in the success of platforms like *Amazon Instant Video*, not to mention *Netflix* subscription services. According to IT blogger and professor **Enrique Dans** (2014), pricing structure is important in the struggle against piracy. We not only agree (**Corredoira**, 2011), but we also believe price has been a competitive advantage in the success of platforms like *Amazon Instant Video* and *Netflix* subscription services. Consumers have many entertainment choices in the US, and the costs of each option are shown in figure 20.

The current unit price and volume of newspapers sold barely covers the production cost of a single edition. However, new pricing could be developed. News online could be bundled with other services, enhanced for content, or extended for free trial periods. Portals like *Netflix* and *VUDU* (similar to *Youzze* or *Wuaki TV* in Spain) have attracted new

1 movie ticket at the theaters	\$15
1 movie rental from <i>iTunes</i> or <i>Amazon Prime</i>	\$2.99 to 6.99
1 month <i>Netflix</i>	\$7.99 (2 screens, 6 devices)
1 movie purchase from <i>iTunes</i> or <i>Amazon</i> (HD or not)	From \$6.99
1 weekly premium <i>Financial times</i>	\$10.95
1 weekly online <i>New York times</i>	\$3.45

Figure 20. Entertainment prices in the US

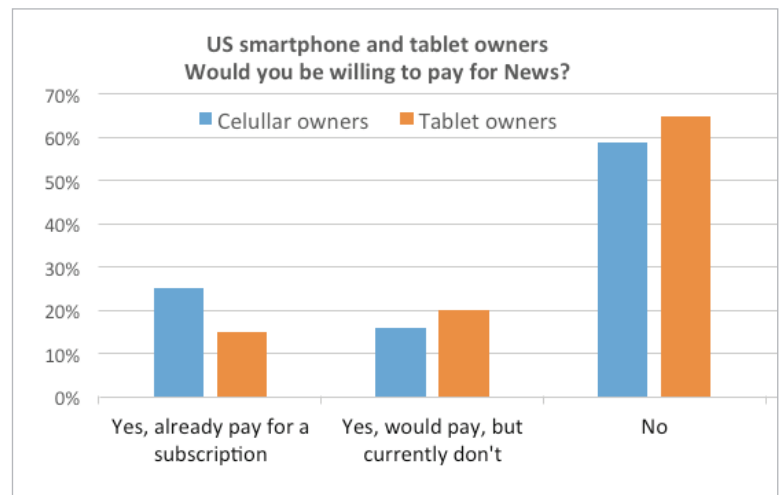


Figure 18. US smartphone and tablet owners. Would you be willing to pay for news? Source: Mojiva, "The state of mobile news consumption", Dec, 4 2012.

US Device Owners Who Use Netflix, Q4 2012 % of respondents in each group				
	HDTV*	Tablet	Laptop/desktop	Smartphone
Gender				
Female	41%	15%	14%	7%
Male	39%	12%	13%	9%
Age				
18-34	51%	16%	24%	13%
35-54	42%	17%	13%	7%
55+	27%	6%	6%	2%
Total	40%	13%	14%	8%
Note: *may come from the TV itself or another device connected to the TV Source: The NPD Group as cited in company blog, Jan 22, 2013				
152362 www.eMarketer.com				

Figure 19. US device owners who use Netflix, Q4 2012. Source: eMarketer.com

customers this way and they have successfully reached their niche market.

3.2. Lessons about copyright flexibility and payment

a) New copyright licensing

Similar to the fluidity of distribution in the movie industry, a new licensing system is needed to release movies and TV shows faster.

The newspaper industry should not be afraid to lose some rights. The entertainment industry now manages producer and artist rights in a more flexible way without losing all their rights and royalties. All stakeholders are going to win if more movies, newspapers, and music are purchased or rented.

b) Payment models

The entertainment industry allows users to buy or rent a video *a la carte* (video on demand, iVOD) or pay a monthly subscription for unlimited content (*Netflix* or *Amazon Prime Video*). Users may cancel their subscriptions easily. News-

papers should explore various models for online access and use the entertainment industry as a model. Online access to one product can generate consumer interest in another, for example, one-click by *Amazon*; *Amazon Prime Instant Video* (\$79 per year); and *Netflix* trial period are good “hooks” to grab consumer attention and entice additional transactions.

c) Extend the life of the product

The life cycle of a movie or TV show is much longer than newspapers; printed newspapers are “ephemeral”, meaning they last just one day, but online their value doesn’t end after the last edition is printed and sold. On the contrary, thanks to the digital transition, when a reader turns on a tablet or connects to an app, no matter the time of the day, the newspaper is accessible. Digital journalism brings 24/7 newspapers; so it is still a commodity delivered within a day, and can be part of a database later.

We suggest newspapers could be the new encyclopedias, the “silos” students could refer to for their homework, or source material for professionals to validate their assumptions and be more culturally literate. Everyone loves Wikipedia, but professors would prefer to see students quoting past issues of newspapers.

3.3. Lessons on multiproduct experience

To be in the new living room

In the “new living room” users enjoy movies and TV shows on various devices like the television, tablet, or smartphone, and from various sources like cable or *Netflix*. Considering the aging population, there may be users who would prefer reading multimedia articles or renting video clips or audio from digital newspapers.

Bundling

If we think outside the box, the options for bundling services are endless. Options might include packaging newspaper and TV series together or a newspaper subscription along with ten ebooks. Experiences such as *Amazon’s Newsstand*, *iTunes TV catalogue*, and the *Orbyt* (paid digital brand of *El-Mundo.es*) have merged a variety of media audiences that were traditionally different. This is just the beginning of the definitive digital transition.

Glamour, branding

House of Cards is a good example of an innovative television production garnering awards and attention. *Hulu* and *Netflix* are intentionally “packaging” movies and TV series to be attractive for moviegoers.

Conclusions

We are under a new paradigm of media, production, and distribution of content. As **Tobacco** says in **Turow** (2012):

“Now we’ve got this explosion of content flying around: distribution is disaggregated from content, and everything is moving fast. So media firms are trying to re-aggregate their ability to reach audiences, but now with mass customization.”

Two examples of this new paradigm are *Yahoo! Politics* (**Turow**, 2011, p. 117) distributing a video created by the *Washington post* and *Google* pointing to a *The New York times*

article. Although separate production and distribution was in existence before the rise of digital, now it has become the norm. Today’s users don’t want to be just buyers of legacy periodicals; they want personalized and relevant content at their fingertips.

Following is our methodology which is based on three business models (figure 21) -a la carte models, subscription, models and pay TV with free access-. Our estimation is that this model could be adapted by the press.

Transactional		3. Subscription models
1. A la carte	2. Micropayments	
(Occasional or sporadic readers)		Paper + free online access
Per issue		Only online
Per news		Premium content:
Per day		online + special newsletters
		online + music + video

Figure 21. News services types

We conclude that although the initial outlook for newspapers may be bleak the future looks more promising upon closer inspection. One lesson that can be learned from the entertainment industry is that there is life after content becomes free online. There may be an unexplored segment of digital content consumers which would allow future growth in digital newspapers. These consumers are easy to identify—they are subscribers to digital services such as *Netflix* and *Spotify*. The key assumption is these digital consumers have a voracious appetite for content in all its forms and they want to be in control of when and how they consume that content. As discussed, there is at least some preliminary data that supports this assertion.

Moreover, newspapers may have an advantage as far as mobile devices are concerned because many consumers already prefer to read news on a mobile device. If the industry can expand rapidly into the mobile market, there may be a way to grow as evidenced by the success of the *USA Today* app. Granted the future is uncertain, but hopefully there is a fruitful digital road ahead.

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Notes

1. Presented at 15th *Intl symposium on online journalism*, UT Austin, USA, 2014. We appreciate specially deep comments on it from prof. Penelope Muse Abenarthy, Knight Chair in *Journalism and digital media economics* (Chapell Hill, NC) as well as interviews hold with Marty Baron, *Washington Post* Editor; Caroline Little, NAA Chair; and Juan Angulo, former *Warner Bros Spain* CEO, which have enlighten our conclusions.

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http://www.pwc.com/en_gx/gx/hospitality-leisure/pdf/changing-the-game-outlook-for-the-global-sports-market-to-2015.pdf

5. Pandora has 2,5 mill. paid subscribers and 200 registered users. <http://techcrunch.com/tag/pandora>

6. Spotify has 1 million subscribers in the US and 6 mill. worldwide, and 60 mill. active users.

<http://press.spotify.com/us/information>

7. Data about iTunes video users has not been released; we estimate 20 million users considering the Copertino's company has the double of market share than Amazon Prime in iVOD (rentals).

8. Newspaper Association of America (NAA). Press release February 2014. Available to members only.

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9. Mark Thompson (Feb, 2014) at Wall Street following the release of the Times' fourth-quarter financial results, Times chief lays out 'a critical year' for ad revenue (*CapitalNews.com*)

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<http://www.naa.org/Trends-and-Numbers/SenseMakerReports.aspx>

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